TULSA COMMUNITY COLLEGE
(A COMPONENT UNIT OF THE STATE OF OKLAHOMA)

FINANCIAL STATEMENTS
June 30, 2014 and 2013

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Tulsa, Oklahoma

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Tulsa Community College
Annual Financial Report
Year Ended June 30, 2014

Members of the Board of Regents:

I am pleased to submit to you and the citizens of the Greater Tulsa community the Annual Financial Report for fiscal year 2014. This document presents the record of the College's financial operations.

Tulsa Community College provides outstanding higher education opportunities for students in Tulsa and the surrounding area through credit, transfer, workforce development, corporate training, and continuing education, including 222 degree and certification programs. TCC serves 28,000 students in college credit coursework each year. In short, TCC is the optimum choice in Tulsa for students to reach their educational and career goals.

Tulsa Community College conferred degrees on its 44th graduating class in May 2014. We expect this will mark the third consecutive year of record numbers of graduates. Since 2010, TCC has experienced an increase of more than 20 percent in overall completions each year. As one of Oklahoma's three largest higher education providers, TCC enrolls one of the largest first-time entering classes each fall (surpassed only by the University of Oklahoma and Oklahoma State University), admits the largest number of concurrent enrollment students taking college classes while still in high school, and leads the state in online/distance learning enrollments each year.

TCC welcomed 4,219 first-time entering college students during the 2013-2014 academic year. Of those, 1,520 entered as Tulsa Achieves students. Since 2007, approximately 10,500 high school graduates have entered college as part of the Tulsa Achieves initiative. The College is committed to encouraging those students to complete their degrees. To augment that effort, TCC has joined the Complete College America initiative to close Oklahoma's and America's college completion gap and has committed to increasing the number of TCC degrees and certificates granted each year by a minimum of 71 in order to help reach Oklahoma's goal of producing an additional 1,700 degrees and certificates annually by 2023.

TCC is the primary transfer student producer for public and private universities in the state. As such, the College has developed transfer program agreements with colleges and universities in Tulsa, throughout Oklahoma and in adjacent states, which allow TCC students to transfer more seamlessly to other institutions. TCC holds several national rankings as one of the nation's premier community colleges. According to *Community College Week*, TCC ranks 24th among the nation's nearly 1,200 two-year institutions for granting associate degrees, making it one of the America'sTop 50 two-year degree-granting institutions for well over a decade. In individual disciplines, TCC ranks 3rd in education degrees, 5th in business related degrees, 10th in health related degrees and 14th in communications, journalism and related degrees. The College continues to be a national leader in granting degrees to Native American students and stands among the Top 100 for granting degrees to all minorities.

Approximately 32 percent of our students choose to enroll in one of numerous workforce development programs. Of the more than 50 programs TCC offers designed to prepare students to step directly into careers, the most popular areas of study include nursing, allied health and business and information technologies. A robust collection of STEM-related degrees makes TCC a vital resource in preparing graduates for Oklahoma's growing science, technology, biotechnology, engineering, and aviation/aerospace sectors. Approximately 54 percent of TCC students are over 21 years of age, and many of those look to TCC for retraining in preparation for a different career. Another 5,000 students enroll in TCC Continuing Education and Workforce Development classes each year. Students range from the youngest who attend College for Kids and Teens to seasoned professionals who engage in a broad variety of high quality, economical, customized training and open enrollment programs and seminars throughout the year.

Distance learning at TCC continues to be a popular option for students striving to merge college, work, and family. With more than 7,600 students enrolled in online and distance learning classes each year, TCC offers more online credit than any other college in Oklahoma. In fact, of the 222 degree and certificate programs offered at TCC, well over half are offered 50% or more online. Tulsa Community College has truly become a 24/7 college through its distance learning offerings.

TCC offers an enriched and diverse academic environment designed to meet student needs. As part of the College commitment to develop the whole student, student engagement with the community has become a priority. TCC has encouraged students to engage in service learning as part of their college experience since 1994. In the years since, TCC students have contributed thousands of hours each year to organizations and agencies throughout our service area. As part of the Tulsa Achieves program requirement, TA students must complete 40 hours of volunteer service each year. Over the past seven years, TA students alone have contributed approximately 60,000 hours of community service to organizations in the Tulsa area, with many of the students contributing far more than their requisite 40 hours annually.

The TCC Foundation stands as one of the College's most valued friends. The Foundation provides more than $1 million in support of students, faculty and staff each year. Foundation scholarships help students in a variety of academic areas, including art, business, engineering, honors, music, nursing, science, theatre, and veterinary technology. Much of that funding comes from the Foundation's annual Vision in Education Leadership Award Dinner. The 2014 Vision Dinner will honor Jake Henry Jr., President and Chief Executive Officer of Saint Francis Health System. This honor is befitting of Jake as his commitment to education and support of local college, university and educational institutions is both personal and significant. Over the past decade, the Vision Dinner has raised more than $2.1 million to support scholarships and programs for TCC students, faculty and staff.

In conclusion, I would like to express my appreciation to the community, members of the TCC Board of Regents, trustees of the TCC Foundation and members of TCC's faculty and staff for making me feel welcome and for their ongoing support of Tulsa Community College.

Sincerely

Leigh B. Goodson, Ph.D.
President and CEO

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Tulsa Community College (the College), a component unit of the state of Oklahoma, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulsa Community College, as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and the Schedule of Funding Progress on page 33 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations* and Introductory Section are presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
October 29, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

This report consists of Management's Discussion and Analysis (this part), the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on Tulsa Community College.

The objective of the Management's Discussion and Analysis is to help readers of the College's financial statements better understand the financial position and operating activities for the fiscal years ended June 30, 2014 and 2013. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Comparative information for the year ended June 30, 2012 has been provided in a few select instances.

STATEMENT OF NET POSITION

The Statement of Net Position present the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), and net position (assets and deferred outflows of resources minus liabilities) as of the end of the fiscal years audited. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The difference between current and noncurrent assets is discussed in the footnotes to the financial statements. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions.

Net position - the difference between assets, deferred outflows of resources, and liabilities - is one way to measure the College's financial health, or position. Over time, changes in the College's net position are an indicator of its overall financial health. Non-financial factors are also important to consider, including student recruitment, enrollment, and retention and the condition of campus facilities.

Net position is divided into three major categories. The first category, invested in capital assets, net of debt, provides the College's equity in property, plant, and equipment. The next category, restricted assets, provides the College's assets that must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Unrestricted assets are available to the College for any lawful purpose of the institution.

The College's financial position, as a whole, declined during the fiscal year ended June 30, 2014. Net position decreased approximately $6.4 million from June 30, 2013 to June 30, 2014.

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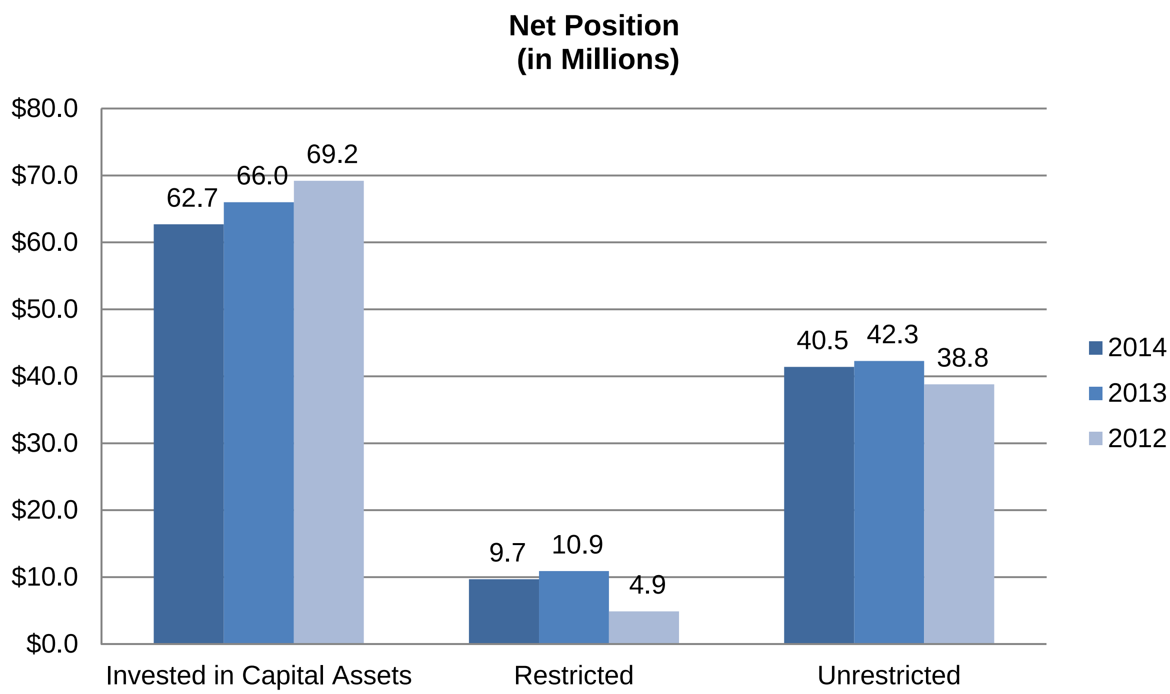
The following graph illustrates the comparative change in net position by the three major categories mentioned above for fiscal year 2014, 2013 and 2012:



The following table summarizes the College's assets, liabilities, and net position as of June 30, 2014, 2013 and 2012 (in millions):

Net Position, End of Year

	2014	2013	2012
Assets			
Current assets	$ 55.4	$ 57.8	$ 50.6
Noncurrent assets:			
Capital assets, net	104.0	107.7	108.7
Other	6.8	7.1	7.4
Total assets	166.2	172.6	166.7
Deferred Outflows of Resources	1.1	1.4	1.6
Liabilities			
Current liabilities	16.7	15.5	15.2
Noncurrent liabilities	37.7	39.2	40.2
Total liabilities	54.4	54.7	55.4
Net Position			
Invested in capital assets, net related debts	62.7	66.0	69.2
Restricted	9.7	10.9	4.9
Unrestricted	40.5	42.3	38.8
Total net position	$ 112.9	$ 119.3	$ 112.9

(Continued)

Total assets of the College decreased $6.4 million from June 30, 2013. $3.7 million of the decrease was primarily related to the College's depreciable capital assets. The College updated its capital assets during the year to reflect appropriate useful lives, which caused an increase in depreciation charges. Depreciation charges for the current year totaled $10.0 million compared to $7.9 million in the prior year. Note 4 of the financial statements can provide additional information regarding capital asset activities and balances. A decrease of $1.5 million is related to an increased draw in cash and cash equivalents during the year. This increased draw was related to the College's focus on meeting organizational needs for its students and employees.

Total liabilities of the College remained relatively flat from June 30, 2013. Note 5 of the financial statements can provide additional information regarding long-term liabilities activities and balances.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position is used to display the sources and uses of funds of the college during the fiscal year. This information must be viewed over a period of time to determine if the goals of the institution are being met. Public institutions will normally not have an excess of operating revenues over operating expenses as state appropriations are considered non-operating revenues under generally accepted accounting principles.

Statement of Revenue, Expenses, and Changes in Net Position

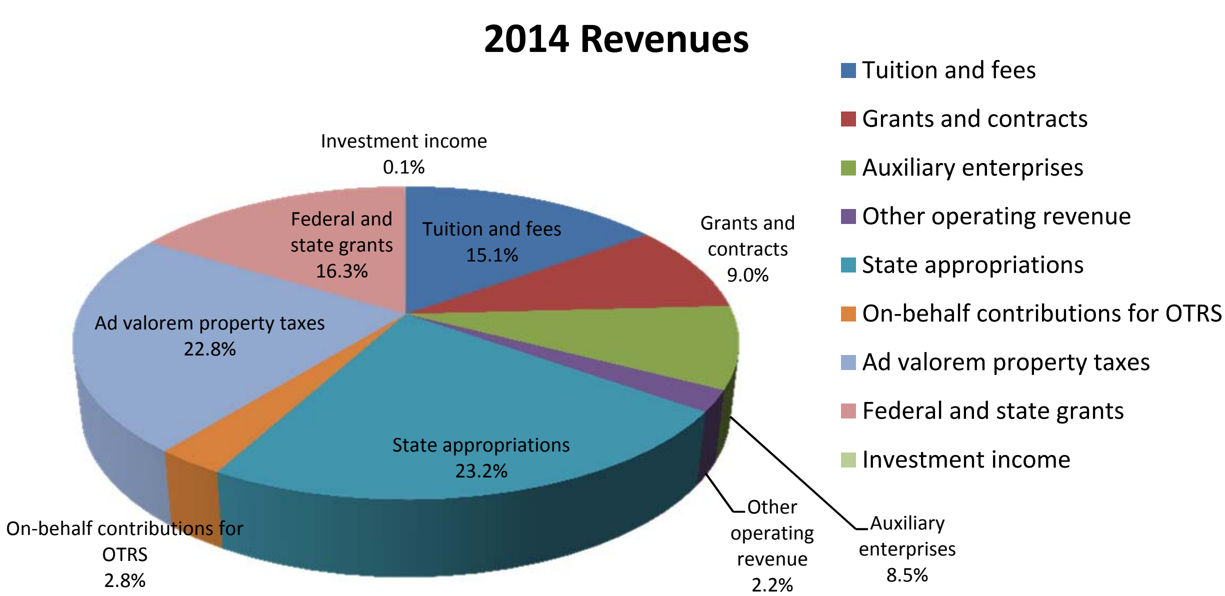
	2014	2013	2012
Operating revenues	$ 55.4	$ 62.1	$ 35.0
Operating expenses	166.1	161.9	140.0
Operating loss	(110.7)	(99.8)	(105.0)
Non-operating revenues & expenses	101.8	104.5	107.7
Income (loss) before other revenues, expenses, gains and losses	(8.9)	4.7	2.7
Other revenues, expenses gains or losses	2.5	1.6	1.5
Increase (decrease) in net position	$ (6.4)	$ 6.3	$ 4.2

(Continued)

STATEMENT OF REVENUES

The following table and chart illustrate the revenue streams for the College. To highlight the major sources: 26% is comprised of state appropriations; 23% is ad valorem taxes; 16% is non-operating federal and state grants and contracts; and 35% is operating revenue including tuition and fees, auxiliary services and operating federal and state grants and contracts for the year ended June 30, 2014. The College continues to make revenue diversification an ongoing priority, along with cost containment. This is necessary as the College continues to face significant financial pressure with flat state budget projections, increased compensation and benefit costs, and volatile technology, energy, and water prices.

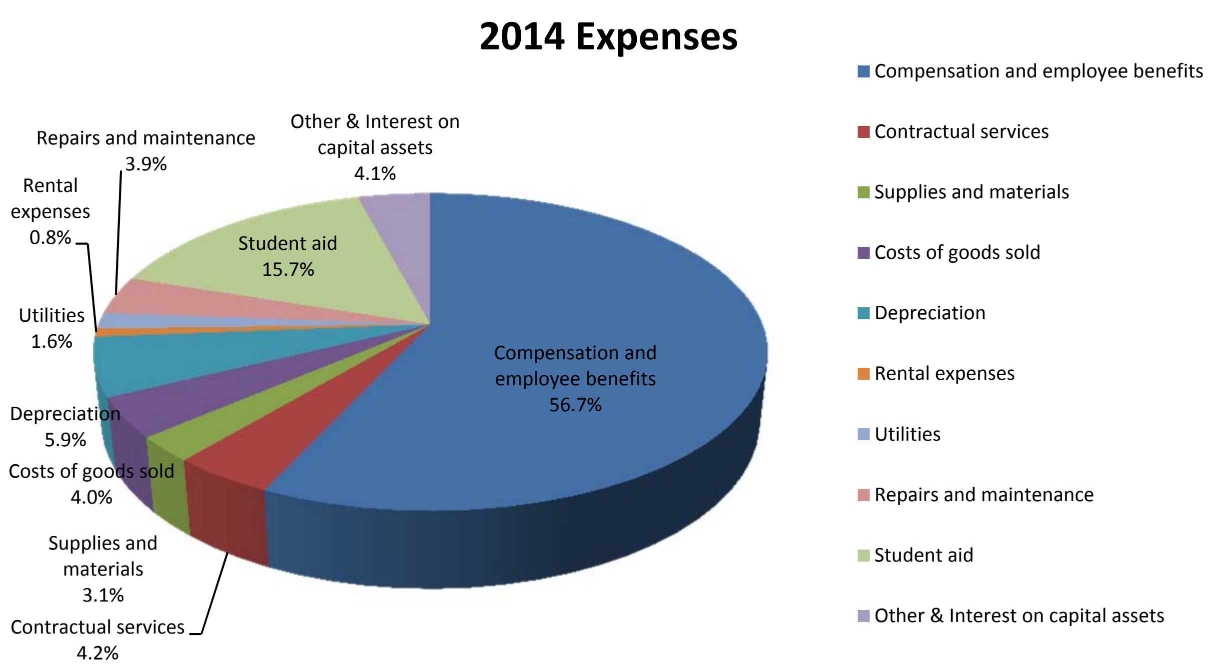
	2014	2013	2012
Operating Revenues			
Tuition and fees	$ 24.1	$ 28.6	$ 6.7
Grants and contracts	14.3	15.5	9.9
Auxiliary enterprises	13.5	15.0	15.8
Other operating revenue	3.5	3.0	2.6
Total Operating Revenues	55.4	62.1	35.0
Non-operating Revenues			
State appropriations	36.9	36.1	35.6
On-behalf contributions for OTRS	4.5	4.4	4.4
Ad Valorem property taxes	36.3	35.9	35.3
Federal and state grants	25.9	29.3	33.7
Investment income	0.1	0.2	0.0
Non-operating Revenues	103.7	105.9	109.0
Total Revenues	$ 159.1	$ 168.0	$ 144.0



STATEMENT OF EXPENSES

A summary of the College's expenses, for the years ended June 30, 2014, 2013 and 2012, can be viewed below. Compensation and benefits accounted for approximately 57% of total expenses compared to 56% of total expenses for the prior year. Due to the change in in useful lives related to capital assets, depreciation made up 6% of total expenses for the year ended June,30 2014, compared to 5% in the prior year.

	2014	2013	2012
Operating Expenses			
Compensation and employee benefits	$ 95.2	$ 91.7	$ 89.1
Contractual services	7.0	7.6	5.5
Supplies and materials	5.2	3.7	30.4
Cost of goods sold	6.8	7.8	0.0
Depreciation	10.0	7.9	7.0
Rental expenses	1.4	1.3	0.0
Utilities	2.7	2.4	2.5
Repairs and maintenance	6.5	5.6	0.0
Student aid	26.4	29.3	2.6
Other	4.9	4.6	2.9
Total Operating Expenses	166.1	$ 161.9	$ 140.0
Nonoperating Expenses			
Interest on capital assets – related debt	2.0	1.4	1.3
Total Expenses	$ 168.1	$ 163.3	$ 141.3



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STATEMENT OF CASH FLOWS

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of the College during the year. It also aids in the assessment of the College's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

The College's overall liquidity decreased during the current year, with a net decrease to cash and cash equivalents of $7.2 million. The decrease is related to a decrease in revenue streams (enrollment, grants, and auxiliary enterprises), as well as an increase in compensation and benefits for employees. The following table summarizes the College's cash flows for the years ended June 30, 2014, 2013 and 2012:

	2014	2013	2012
Cash provided (used) by:			
Operating activities	$ (99.7)	$ (87.8)	$ (90.7)
Noncapital financing activities	99.1	101.3	104.0
Capital and related financing activities	(6.9)	(7.7)	(4.7)
Investing activities	0.3	0.5	0.1
Net change in cash	(7.2)	6.3	8.7
Cash and equivalents, beginning of the year	45.6	39.3	30.6
Cash and equivalents, end of the year	$ 38.4	$ 45.6	$ 39.3

Cash used by operating activities during fiscal year 2014 of $99.7 million increased $11.9 million (13.6%) when compared to the prior year ($87.8 million). Major sources of operating funds were tuition and fees ($20.0 million), grants and contracts ($12.9 million) and auxiliary enterprises ($13.5 million), which were offset by the payment of compensation and benefits ($91.2 million) and payment to suppliers and other operating payments ($54.1 million).

Cash provided by noncapital financing activities during fiscal year 2014 of $99.1 million decreased $2.2 million (2.2%) compared to the prior year ($101.3 million). Major sources of noncapital financing activities were state appropriations ($36.9 million), Ad valorem property taxes received ($36.3 million) and Federal and state grants ($25.9 million).

Cash used in capital and related financing activities during fiscal year 2014 of $6.9 million decreased $0.8 million (10.4%) when compared to the prior year ($7.7 million). The major source of capital and related financing activities was capital appropriations received ($1.2 million) and bond proceeds ($2.9 million), which was offset by purchases of capital assets ($6.4 million) and principal and interest payments on capital debt and leases ($4.6 million).

Cash used by investing activities during fiscal year 2013 of $0.3 million decreased $0.2 million when compared to cash provided in the prior year ($0.5 million).

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ECONOMIC OUTLOOK

Management believes that the College has a solid financial foundation by which to continue accomplishing its mission of improving our community through intellectual achievement, creative energy, and responsible citizenship of its students, faculty and staff by their engagement in teaching, learning and service opportunities that transform and enrich lives. Our financial foundation permits us to further our commitment to providing innovative, flexible and affordable public higher education that responds to a dynamic global environment. The College is not without its challenges, however. In the past several years there has been a significant shift in economic conditions which have caused changes in the revenue streams Tulsa Community College uses as operational funding sources. First, in an increasingly competitive environment, the College continues to evaluate programming in an effort to mitigate potential enrollment fluctuations. Second, the College will continue to evaluate its tuition and fees, which we use for operations. In the past few years, our tuition has become a smaller percentage of our total revenue and with appropriations making up a larger portion of our revenue. Adapting to change is critical if we are going to fulfill our mission and operate soundly. Over the next few years the College will need to have a greater emphasis on enrollment, both from recruitment and a retention standpoint, and its increasing role in our overall financial health.

The cost of health care continues to rise at a pace that is becoming increasingly difficult to manage within the constraints of the resources available to address it. The College has taken steps to try to minimize the impact of the very large increases that have been occurring, but there does not seem to be an end in sight for this trend of high annual increases in premiums. The College will continue to evaluate alternatives and will examine any potential cost savings.

Given the challenges that exist, Tulsa Community College believes that it is well positioned to weather changing financial conditions and to make the investments that will secure accessibility to education for the Tulsa community.

ACKNOWLEDGEMENTS

The College's financial statements are the responsibility of the College's management. The preparation of the College's financial statements was made possible by the dedicated service of the Controller Office personnel and others who have our sincere appreciation.

TULSA COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents (Note 2)	$ 36,751,019	$ 42,865,178
Cash and cash equivalents – restricted (Note 2)	1,288,508	2,352,467
Investments – restricted (Note 2)	1,650,987	1,839,796
Accounts receivable, net (Note 3)	10,673,429	7,100,255
Federal and state grants receivable	2,983,380	1,565,478
Delinquent ad valorem property taxes receivable	900,000	900,000
Inventories	1,149,590	1,209,901
Total current assets	55,396,913	57,833,075
Noncurrent assets		
Cash and cash equivalents – restricted (Note 2)	373,902	373,351
Investments – restricted (Note 2)	1,834,084	1,833,782
Deposits with the State Regents (Note 12)	4,543,581	4,543,581
Prepaid pension asset (Note 6)	119,159	226,291
Non-depreciable capital assets (Note 4)	6,006,374	5,377,934
Depreciable capital assets, net (Note 4)	97,973,004	102,272,490
Other assets	3,126	103,672
Total noncurrent assets	110,853,230	114,731,101
Total assets	166,250,143	172,564,176
Deferred Outflows of Resources		
Deferred refunding costs	1,081,832	1,362,942
Total assets and deferred outflows of resources	$ 167,331,975	$ 173,927,118
Liabilities		
Current liabilities		
Accounts payable	$ 5,451,038	$ 3,700,181
Accrued liabilities	1,418,345	2,596,021
Accrued compensated absences	1,907,816	1,419,838
Interest payable	125,984	149,793
Unearned revenues	3,056,709	3,660,490
Long term liabilities – current portion (Note 5)	4,611,549	3,835,524
Deposits held in custody for others	147,005	146,705
Total current liabilities	16,718,446	15,508,552
Noncurrent liabilities		
ODFA bonds (Note 5)	14,526,833	12,250,855
Revenue bonds (Note 5)	7,570,000	9,009,029
OCIA capital lease obligation (Note 5)	15,282,822	16,635,925
Equipment capital lease obligation (Note 5)	333,079	1,269,108
Total noncurrent liabilities	37,712,734	39,164,917
Total liabilities	54,431,180	54,673,469
Net Position		
Net investment in capital assets	62,736,927	66,012,925
Restricted for:		
Expendable	5,147,481	6,399,396
Nonexpendable – scholarship endowment	4,543,581	4,543,581
Unrestricted	40,472,806	42,297,747
Total net position	112,900,795	119,253,649
Total liabilities and net position	$ 167,331,975	$ 173,927,118

See notes to financial statements.

TULSA COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Tuition and fees (revenues of $4,157,021 and $4,519,050 in 2014 and 2013 are pledged as security on College Student Center Series revenue bonds), net of $13,398,972 and $11,001,900 of scholarship discounts and allowances	$ 24,099,949	$ 28,537,890
Federal grants and contracts	8,044,213	9,500,596
State and private grants and contracts	6,307,306	6,037,300
Sales and services of auxiliary enterprises	13,462,112	15,013,107
Other operating revenue	3,496,005	2,970,669
Total operating revenue	55,409,585	62,059,562
Operating expenses		
Compensation and employee benefits (Note 6)	95,153,391	91,710,083
Contractual services	6,976,378	7,631,827
Supplies and materials	5,182,243	3,659,326
Cost of goods sold	6,801,688	7,801,695
Depreciation (Note 4)	10,049,286	7,861,598
Rental expenses	1,427,657	1,359,431
Utilities	2,672,078	2,360,201
Repairs and maintenance	6,479,469	5,588,096
Student aid	26,440,652	29,282,938
Other operating expenses	4,921,349	4,606,152
Total operating expenses	166,104,191	161,861,347
Operating loss	(110,694,606)	(99,801,785)
Non-operating revenues (expenses)		
State appropriations	36,946,609	36,116,944
On-behalf contributions for OTRS (Note 6)	4,548,746	4,422,087
Ad valorem property taxes (Note 10)	36,332,835	35,929,841
Federal and state grants	25,860,725	29,235,079
Investment income	142,989	222,825
Interest on capital-related debt	(2,049,184)	(1,452,239)
Net non-operating revenues	101,782,720	104,474,537
Income (loss) before other appropriations	(8,911,886)	4,672,752
State appropriations restricted for capital purposes (Note 11)	1,249,002	1,249,002
OCIA on-behalf state appropriations	1,310,030	417,822
Change in net position	(6,352,854)	6,339,576
Net position at beginning of year	119,253,649	112,914,073
Net position at end of year	$ 112,900,795	$ 119,253,649

See notes to financial statements.

TULSA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Tuition and fees	$ 20,023,540	$ 29,062,583
Grants and contracts	12,933,617	13,933,438
Payments to suppliers and other operating payments	(54,137,662)	(57,808,658)
Payments to employees	(91,187,211)	(86,648,624)
Auxiliary enterprises sales and services	13,462,112	15,013,107
Other operating revenue	3,496,005	2,970,669
Other operating payments	(4,338,294)	(4,318,207)
Net cash used in operating activities	(99,747,893)	(87,795,692)
Cash flows from noncapital financing activities		
State appropriations	36,946,609	36,116,944
Ad valorem property taxes received	36,332,835	35,929,841
Federal and state grants	25,860,725	29,235,079
Deposits held in custody for others	300	16,216
Net cash provided by noncapital financing activities	99,140,469	101,298,080
Cash flows from capital and related financing activities		
Purchases of capital assets	(6,409,575)	(3,438,299)
Capital appropriations received	1,249,002	1,249,002
Principal paid on capital leases and bonds	(3,882,103)	(4,410,724)
Interest paid on capital leases and bonds	(762,963)	(1,054,768)
Proceeds from debt issuance	2,904,000	-
Net cash used in capital and related financing activities	(6,901,639)	(7,654,789)
Cash flows from investing activities		
Sales and purchases of investments	188,507	259,897
Interest received on investments	142,989	222,825
Net cash provided by investing activities	331,496	482,722
Net change in cash and cash equivalents	(7,177,567)	6,330,321
Cash and cash equivalents at beginning of year	45,590,996	39,260,675
Cash and cash equivalents at end of year	$ 38,413,429	$ 45,590,996
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (110,694,606)	$ (99,801,785)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	10,049,286	7,861,598
Amortization expense	583,055	287,945
On-behalf contributions for OTRS	4,548,746	4,422,087
Changes in operating assets and liabilities		
Receivables, net	(3,259,551)	(1,228,407)
Inventories	60,311	253,250
Prepaid pension	107,132	849,462
Accounts payable and accrued liabilities	259,558	(744,445)
Compensated absences	487,978	(144,824)
Unearned revenues	(603,781)	870,252
Other	(1,286,021)	(420,825)
Net cash used by operating activities	$ (99,747,893)	$ (87,795,692)
Noncash investing, capital, and financing activities		
OTRS contributions paid by state agency on behalf of the College	$ 4,548,756	$ 4,422,087
Principal and interest on capital debt paid by state agency on behalf of the College	1,310,030	417,822
Capital asset purchases financed through capital lease obligations	-	3,691,418
	$ 5,858,786	$ 8,531,327
Reconciliation of cash and cash equivalents to the statement of net position		
Current assets		
Cash and cash equivalents	$ 36,751,019	$ 42,865,178
Cash and cash equivalents – current, restricted	1,288,508	2,352,467
Cash and cash equivalents – noncurrent, restricted	373,902	373,351
	$ 38,413,429	$ 45,590,996

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Tulsa Community College (the College) is a two-year college operating under the jurisdiction of the Board of Regents and the Oklahoma State Regents for Higher Education (the State Regents). Under Oklahoma statutes, the College is the only state-supported institution of higher education that can offer lower division undergraduate courses in Tulsa County.

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The College is a component unit of the state of Oklahoma and is included in the general purpose financial statements of the state as part of the higher education component unit.

The accompanying financial statements include the accounts of the College and the Tulsa Community College Technology Center School District (the School District), which are agencies of the state of Oklahoma. The School District has been presented as a blended component unit because the School District's governing body is substantially the same as the governing body of the College, and the School District provides services almost entirely to the College, which is the primary government. Separate financial statements of the School District have been prepared and can be obtained by contacting the College's Comptroller and Chief Financial Officer.

The Tulsa Community College Foundation, Inc. (the Foundation) is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the College as a whole, including both the College and the School District. While the resources received and held by the Foundation are entirely or almost entirely held for the benefit of the College, the net position of the Foundation is not considered significant as compared to the net position of the College. As a result, the Foundation has not been included as a component unit in the financial statements of the College.

Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Income Taxes: The College, as a political subdivision of the state of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended, and a similar provision of Oklahoma statutes. However, the College may be subject to federal income taxes on any unrelated business income under Internal Revenue Code Section 511 (a)(2)(B).

Cash and Cash Equivalents: For the purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding balances held with trustees for bond issuances. Funds invested through the Oklahoma State Treasurer's Cash Management Program are also considered cash equivalents.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

Inventories: Inventories are carried at the lower of cost or market on the first-in, first-out (FIFO) method.

Restricted Cash and Investments: Cash and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase capital or other noncurrent assets, are classified as restricted assets in the statement of net position.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the state of Oklahoma. Student accounts receivable are carried at the unpaid balance of the original amount billed to students, and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an allowance made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, using historical experience applied to an aging of accounts, and considering the general economy and the industry as a whole. Student accounts and loans receivable are written off when deemed uncollectible, and student loans receivable may be assigned to the Department of Education (the Department). Recoveries of student accounts and loans receivable previously written off are credited to the allowance for doubtful accounts.

A student account receivable and student loan receivable are considered past due if any portion of the receivable balance is outstanding after the end of the semester. Late fees are assessed one month after the end of the semester on any unpaid accounts. Interest may also be charged on unpaid accounts at an annual rate of 18%. Late charges and interest are included in other operating income and accounts receivables. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the Department.

Accounts receivable also include the distributable amount from the State Regents' endowment trust fund.

Federal and State Grants Receivable: Federal and state grants receivable include amounts due from the federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Receivable from State Agency: Receivables from state agencies include funds raised by state agencies through bond issuances on behalf of the College to be used for capital improvements. Such funds have either been granted to the College, or repayment of the bond issuance is expected to be paid by the state agency on behalf of the College.

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of $2,500 or more and an estimated useful life greater than one year.

Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Renovations, infrastructure, and land improvements	10 to 25 years
Furniture, fixtures, and equipment	3 to 20 years

Impairment of Long-Lived Assets: In accordance with GAAP, the College reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended June 30, 2014 and 2013.

Compensated Absences: Employee vacation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the statement of net position and as a component of compensation and employee benefits expense in the statement of revenues, expenses, and changes in net position.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the College. The College’s policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable.

Unearned Revenues: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, OFDA bonds payable and capital lease obligations with contractual maturities greater than one year and premiums associated with such obligations and (2) other liabilities that will not be paid within the next fiscal year.

Net Position: GASB requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These net position classifications are defined as follows:

Net Investment in Capital Assets – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Nonexpendable – Restricted nonexpendable net position includes resources which the donor has stipulated be maintained in perpetuity. Donor-imposed restrictions limiting the use of the resources or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

Restricted Net Position – Expendable – Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Position – Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Ad Valorem Property Taxes: Annually, an Estimate of Needs report is submitted to the County Excise Board by the School District to determine the ad valorem tax levy. The county assessor is required to file a tax roll report on or before October 1 of each year with the county treasurer indicating the net assessed valuation of all real, personal, and public service property (public service property assessed valuations are determined by the Oklahoma Tax Commission). Ad valorem tax is levied each October 1 on the assessed valuation of nonexempt real property located in the School District as of the preceding January 1, the assessment date. Ad valorem taxes are due and become a legally enforceable lien on November 1 following the levy date, although they may be paid in two equal installments (if the first installment is paid prior to January 1, the second installment is not delinquent until April 1). Ad valorem taxes are collected by the county treasurer of Tulsa County, Oklahoma, and are remitted to the School District. Ad valorem taxes include interest earned on tax receipts held by the county prior to transfer to the School District.

Additionally, the School District levies an annual two mills general fund tax on all taxable property within the district. The proceeds of the general fund levy are transferred to the State Treasurer of the state of Oklahoma for deposit into a fund constituting the educational and operating budget of Tulsa Community College. The receipts of the current two mills general fund levy are to be used for the purposes of supplementing post-secondary vocational and technical or adult education programs offered by Tulsa Community College.

In February 1994, the voters of Tulsa County approved a five mills local tax incentive levy, which became effective July 1, 1994, in addition to all other school tax levies on the assessed valuation of all taxable property within the School District. This special levy, which is for the general operations of the School District, is now a permanent levy until it is repealed by a majority of the voters.

Classification of Revenues and Expenses: The College has classified its revenues and expenses as either operating or nonoperating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB, including State appropriations, local property taxes, and investment income. Nearly all the College's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating Revenues and Expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating Revenues and Expenses – Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Pell grants, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting, and GASB Statement No. 34, such as state appropriations and investment income. Interest expense on capital-related debt is the only nonoperating expense.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances: Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance, which totaled $13,398,972 and $11,001,900 for the years ended June 30, 2014 and 2013.

Joint Venture: In November 1993, the College became a participant in a joint venture with Tulsa County Technology Center School District (Tulsa Vo-Tech) (formerly Tulsa County Area Vocational Technical Center School District No. 18). The joint venture was created to administer and operate the building for which both parties purchased an undivided one-half interest. The operating committee is composed of six members, three selected by the College and three selected by Tulsa Vo-Tech. The operating committee has the authority to make decisions with respect to the day-to-day operations of the property. All operating expenses are shared on a 50-50 basis. Tulsa Vo-Tech is responsible for the payment of maintenance and operating costs and the receipt of revenue generated from property leases or other income. Tulsa Vo-Tech bills the College for 50% of the net of these revenues and expenses on a quarterly basis. The College is responsible for the security functions and bills Tulsa Vo-Tech quarterly for 50% of these expenses. During the years ended June 30, 2014 and 2013, the College expended approximately $158,657 and $281,225 to Tulsa Vo-Tech for maintenance and operating costs, net of revenues. Tulsa Vo-Tech paid the College approximately $49,166 and $48,019 for security expenses for the years ended June 30, 2014 and 2013. The College is responsible for continuing to pay 50% of the operating costs of the building until it sells or transfers its interest in the building pursuant to the contract provisions. The joint venture does not issue a stand-alone report or financial statements.

Recent Accounting Pronouncements Adopted/Implemented: As of June 30, 2014, the GASB has issued the following statements which were implemented by the College.

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective on January 1, 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Bond issue costs, previously reported as an asset, are now recognized as an expense. The remaining balance of bond issuance costs is considered immaterial and has been expensed as interest on capital-related debt in the current period.

  In addition, deferred debt refunding costs were previously reported by the College as a deduction from bonds payable and OCIA capital lease obligation. Deferred refunding costs are now included as deferred outflows of resources on the statement of net position. The disclosures required by this Statement have no material effect on the College’s beginning net position.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement is intended to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is not directly applicable to the College, but applies to the defined benefit pension plans that the College participates in, which are described in Note 6.

Recent Accounting Pronouncements Adopted/Implemented: As of June 30, 2014, the GASB has issued the following statements not yet implemented by the College.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* Issued June 2012. The provisions for this statement are effective for fiscal years beginning after June 15, 2014. This statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The College's management is working with the Oklahoma Teachers Retirement System to determine the impact of this pronouncement on the College's financial statement. Although the specific amounts are not yet known, this is expected to result in a material net pension liability being recorded on the College's financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents, and investments included in the statement of net position at June 30, 2014 and 2013, consist of the following:

	2014	2013
Cash and cash equivalents:		
Current	$ 36,751,019	$ 42,865,178
Current, restricted	1,288,508	2,352,467
Noncurrent, restricted	373,902	373,351
	$ 38,413,429	$ 45,590,996
Investments:		
Current, restricted	$ 1,650,987	$ 1,839,796
Noncurrent, restricted	1,834,084	1,833,782
	$ 3,485,071	$ 3,673,578

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The following schedule reports the fair value and maturities for the College's investments at June 30, 2014 and 2013:

2014	Fair Value	Less Than One Year	One to Five Years	More Than Five Years
Money market funds	$ 3,485,071	$ 3,485,071	$ -	$ -
	$ 3,485,071	$ 3,485,071	$ -	$ -

2013	Fair Value	Less Than One Year	One to Five Years	More Than Five Years
Money market funds	$ 3,673,578	$ 3,673,578	$ -	$ -
	$ 3,673,578	$ 3,673,578	$ -	$ -

Interest Rate Risk: The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: All United States government obligations are held by the Federal Reserve Bank in the name of the College. Title 70, Section 4306, of the Oklahoma statutes directs, authorizes, and empowers the College's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

The Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the U.S. government and its agencies, certificates of deposit, and demand deposits.

Concentration of Credit Risk: There is no limit on the amount the College may invest in any one issuer. However, all of investments are in money market funds.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The College's deposit policy for custodial credit risk is described as follows:

> Oklahoma Statutes require the Oklahoma State Treasurer (the OST) to ensure that all state funds either be insured by Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.
>
> The College requires that balances on deposit with financial institutions, including trustees related to the College's bond indentures, be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations, in the College's name.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2014 and 2013, the carrying amounts of the College's deposits with the State Treasurer and other financial institutions were as follows:

	2014	2013
Deposits with the State Treasurer	$ 10,344,829	$ 10,988,174
Deposits with the State Treasurer – OK INVEST	3,119,603	7,160,554
U.S. financial institutions	24,948,997	27,442,268
	$ 38,413,429	$ 45,590,996

At June 30, 2014 and 2013, the related bank balances of the College's deposits totaled $40,209,408 and $49,860,858, of which $15,236,511 and $22,418,590 was held with the State Treasurer.

The College's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in banks or invested as the Treasurer may determine, in the State's name. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST* and some deposits with the OST are placed in OK INVEST. Of the funds on deposit with the OST, amounts invested in OK INVEST total $3,119,603 and $7,160,554 in 2014 and 2013.

Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at *http://www.treasurer.state.ok.us/*. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis.

OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC or any other government agency.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

For financial reporting purposes, deposits with the OST that are invested in OK INVEST are classified as cash equivalents. The distribution of deposits in OK INVEST is as follows:

	2014	2013
U.S. agency securities	$ 1,367,010	$ 2,705,973
Certificates of deposit	77,366	176,150
Money market mutual funds	206,518	763,315
Mortgage backed agency securities	1,211,342	2,897,876
Foreign bonds	23,397	54,420
State bonds	47,730	126,742
Municipal bonds	45,546	116,001
U. S. treasury obligations	140,694	320,077
Total	$ 3,119,603	$ 7,160,554

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2014 and 2013:

	2014	2013
Student tuition and fees	$ 13,222,511	$ 12,944,614
Auxiliary enterprises and other operating activities	5,030,088	1,929,871
	18,252,599	14,874,485
Less allowance for doubtful accounts	(7,579,170)	(7,774,230)
Accounts receivable, net	$ 10,673,429	$ 7,100,255

(Continued)

NOTE 4 - CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30, 2014 and 2013:

2014

	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
Non-depreciable:				
Land	$ 5,150,241	$ -	$ -	$ 5,150,241
Collections	200,000	-	-	200,000
Construction in progress	27,693	628,440	-	656,133
Total	5,377,934	628,440	-	6,006,374
Depreciable:				
Buildings and improvements	182,190,063	2,722,480	-	184,912,543
Land/infrastructure improvements	5,600,357	1,754,453	-	7,354,810
Furniture, fixtures, and equipment	13,688,692	1,304,546	(218,461)	14,774,777
Total	201,479,112	5,781,479	(218,461)	207,042,130
Accumulated depreciation:				
Buildings and improvements	(89,003,302)	(7,869,440)	-	(96,872,742)
Land/Infrastructure improvements	(3,098,042)	(251,420)	-	(3,349,462)
Furniture, fixtures, and equipment	(7,105,278)	(1,928,426)	186,782	(8,846,922)
Total	(99,206,622)	(10,049,286)	186,782	(109,069,126)
Total capital assets, net	$ 107,650,424	$ (3,639,367)	$ (31,679)	$ 103,979,378

2013

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
Non-depreciable:				
Land	$ 5,150,241	$ -	$ -	$ 5,150,241
Collections	-	200,000	-	200,000
Construction in progress	-	27,693	-	27,693
Total	5,150,241	227,693	-	5,377,934
Depreciable:				
Buildings and improvements	179,596,801	2,593,262	-	182,190,063
Land/infrastructure improvements	5,600,357	75,300	(75,300)	5,600,357
Furniture, fixtures, and equipment	17,362,863	4,194,563	(7,868,734)	13,688,692
Total	202,560,021	6,863,125	(7,944,034)	201,479,112
Accumulated depreciation:				
Buildings and improvements	(82,751,275)	(6,252,027)	-	(89,003,302)
Land/Infrastructure improvements	(2,959,116)	(146,456)	7,530	(3,098,042)
Furniture, fixtures, and equipment	(13,316,781)	(1,463,115)	7,674,618	(7,105,278)
Total	(99,027,172)	(7,861,598)	7,682,148	(99,206,622)
Total capital assets, net	$ 108,683,090	$ (770,780)	$ (261,886)	$ 107,650,424

(Continued)

NOTE 5 - NONCURRENT LIABILITIES

Long-term liability activity for the years ended June 30, 2014 and 2013 was as follows:

2014

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Amounts Due Within One Year
Revenue bonds, series 2005	$ 3,525,000	$ -	$ (1,005,000)	$ 2,520,000	$ 825,000
Revenue bonds, series 2012	7,260,000	-	(685,000)	6,575,000	700,000
	10,785,000	-	(1,690,000)	9,095,000	1,525,000
Bond issue costs	(96,717)	-	96,717	-	-
Total revenue bonds	10,688,283	-	(1,593,283)	9,095,000	1,525,000
ODFA, Series 2009B	9,390,333	-	(444,167)	8,946,166	462,750
ODFA, Series 2010A	2,220,585	-	(161,417)	2,059,168	166,250
ODFA, Series 2011A	1,376,916	-	(61,083)	1,315,833	62,167
ODFA, Series 2014A	-	2,904,000	(35,833)	2,868,167	106,250
	12,987,834	2,904,000	(702,500)	15,189,334	797,417
Bond issue costs	(80,335)	(15,792)	96,127	-	-
Premium and discounts	10,023	124,893	-	134,916	-
Total ODFA Bonds	12,917,522	3,013,101	(606,373)	15,324,250	797,417
OCIA, Series 2004A	1,033,295	-	(147,761)	885,534	154,898
OCIA, Series 2005F	10,627,654	-	(434,859)	10,192,795	455,673
OCIA, Series 2010A	4,285,037	-	-	4,285,037	-
OCIA, Series 2010B	1,272,559	-	-	1,272,559	742,532
Total OCIA bonds	17,218,545	-	(582,620)	16,635,925	1,353,103
Equipment capital lease obligation	2,176,091	-	(906,983)	1,269,108	936,029
Total long-term liabilities	$ 43,000,441	$ 3,013,101	$ (3,689,259)	$ 42,324,283	$ 4,611,549

2013

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Amounts Due Within One Year
Revenue bonds, series 2002	$ 560,000	$ -	$ (560,000)	$ -	$ -
Revenue bonds, series 2005	4,490,000	-	(965,000)	3,525,000	1,005,000
Revenue bonds, series 2012	7,665,000	-	(405,000)	7,260,000	685,000
	12,715,000	-	(1,930,000)	10,785,000	1,690,000
Bond issue costs	(107,463)	-	10,746	(96,717)	(10,746)
Total revenue bonds	12,607,537	-	(1,919,254)	10,688,283	1,679,254
ODFA, Series 2009B	9,825,583	-	(435,250)	9,390,333	444,167
ODFA, Series 2010A	2,377,000	-	(156,415)	2,220,585	161,417
ODFA, Series 2011A	1,436,083	-	(59,167)	1,376,916	61,083
	13,638,666	-	(650,832)	12,987,834	666,667
Bond issue costs	(83,337)	-	3,002	(80,335)	-
Premium & discounts	16,936	8,998	(15,911)	10,023	-
Total ODFA Bonds	13,572,265	8,998	(663,741)	12,917,522	666,667
OCIA, Series 2004A	1,173,996	-	(140,701)	1,033,295	147,761
OCIA, Series 2005F	10,627,654	-	-	10,627,654	434,859
OCIA, Series 2010A	4,285,037	-	-	4,285,037	-
OCIA, Series 2010B	1,272,559	-	-	1,272,559	-
Total OCIA bonds	17,359,246	-	(140,701)	17,218,545	582,620
Equipment capital lease obligation	-	3,691,418	(1,515,327)	2,176,091	906,983
Total long-term liabilities	$ 43,539,048	$ 3,700,416	$ (4,239,023)	$ 43,000,441	$ 3,835,524

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

Revenue Bonds Payable

Revenue Bonds, Series 2002: The Board of Regents authorized the College to issue Revenue Bonds, Series 2002 (the Series 2002 Bonds) dated January 1, 2002, in the amount of $12,000,000. The total serial bonds of $6,520,000 matured on July 1 of each year beginning July 1, 2003, in annual amounts ranging from $395,000 to $645,000: interest rates ranging from 2.55% to 4.90%. The total term bonds of $5,480,000 bear interest at 5.50%. The Series 2002 Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2002 Bonds were fully repaid as of June 30, 2013.

Revenue Bonds, Series 2005: The Board of Regents authorized the College to issue Revenue Bonds, Series 2005 (the Series 2005 Bonds) dated July 1, 2005, in the amount of $9,725,000 which mature on July 1 of each year beginning July 1, 2006 through July 1, 2016, in annual amounts ranging from $795,000 to $1,005,000, interest rates ranging from 3.05% to 4.25%. The Series Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2005 Bonds are subject to redemption prior to maturity as set forth in Sixth Supplemental Bond Resolution. At June 30, 2014 and 2013, $2,520,000 and $3,525,000 remained outstanding. The College paid $1,005,000 and $965,000 in principal, and $106,827 and $139,468 in related interest, on these bonds during 2014 and 2013. The Series 2005 Bonds have related deferred refunding costs resulting from the refunding of the Series 1996 Bonds that totaled $92,829 and $125,075 at June 30, 2014 and 2013. Deferred refunding costs are included as deferred outflows of resources and are amortized as a component of interest expense over the life of the Series 2005 Bonds. During 2014 and 2013, $32,246 of the deferred refunding costs was amortized into interest expense each year.

Revenue Bonds, Series 2012: The Board of Regents authorized the College to issue Revenue Bonds, Series 2012 (the Series 2012 Bonds) dated January 1, 2012, in the amount of $7,665,000 which mature on July 1 of each year beginning July 1, 2012 through July 1, 2022, in annual amounts ranging from $405,000 to $795,000, interest rates ranging from 2.00% to 3.25%. The Series Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2012 Bonds are subject to mandatory redemption prior to maturity, on 30 days' notice at any time in inverse order of maturity, out of required payments to the principal account at the principal amount thereof plus accrued interest to the date for fixed redemption. At June 30, 2014 and 2013, $6,575,000 and $7,260,000 remained outstanding. The College paid $685,000 and $405,000 in principal, and $168,950 and $167,590 in related interest, on these bonds during 2014 and 2013.

Future principal and interest payments required to be made in accordance with all of the revenue bond agreements at June 30, 2014, are as follows:

Years Ending June 30,	Principal	Interest	Total
2015	$ 1,525,000	$ 230,530	$ 1,755,530
2016	1,590,000	186,411	1,776,411
2017	1,545,000	139,703	1,684,703
2018	740,000	106,425	846,425
2019	750,000	89,675	839,675
2020-2023	2,945,000	169,225	3,114,225
	$ 9,095,000	$ 921,969	$ 10,016,969

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

Oklahoma Development Finance Authority (ODFA) Master Lease Bonds

Bond Series 2009B: In December of 2009, the College entered into a 20 year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2009B. The College received a net amount of $10,067,000 of the proceeds for energy efficiency modifications at all campus locations. In September of 2009, the College also entered into a 15-year lease agreement and received $859,000 to purchase a building and related activities for the Metro Campus. Lease payments made by the College are forwarded to the trustee bank of the State Regents for future principal and interest payments on the Master Lease Board. Monthly payments continue through the maturity of the lease in November 2029. At June 30, 2014 and 2013, the outstanding balance was $8,946,166 and $9,390,333.

Bond Series 2010A: In December of 2010, the College entered into a 15-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2010A. The College received a net amount of $2,647,211 of the proceeds for energy efficiency modifications at all campus locations. Monthly payments are payable through the maturity of the lease in May 2025. At June 30, 2014 and 2013, the outstanding balance was $2,059,168 and $2,220,585.

Bond Series 2011A: In July of 2011, the College entered into a 19-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2011A. The College received a net amount of $1,493,000 of the proceeds for energy efficiency modifications at all campus locations. Monthly payments are payable through the maturity of the lease in May 2030. At June 30, 2014 and 2013, the outstanding balance was $1,315,833 and $1,376,916.

Bond Series 2014A: In February of 2014, the College entered into a 20-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2014A. The College received a net amount of $3,016,237 of the proceeds for renovation of the aviation center facility. Monthly payments are payable through the maturity of the lease in June 2033. At June 30, 2014, the outstanding balance was $2,868,167.

Future principal and interest payments to be made in accordance with the Master Lease Bond agreements at June 30, 2014 are as follows:

Years Ending June 30,	Principal	Interest	Total
2015	$ 797,417	$ 571,184	$ 1,368,601
2016	824,917	545,942	1,370,859
2017	852,667	519,354	1,372,021
2018	876,500	493,860	1,370,360
2019	903,500	465,444	1,368,944
2020-2024	5,035,500	1,805,377	6,840,877
2025-2029	4,729,333	831,361	5,560,694
2030-2033	1,169,500	95,368	1,264,868
	$ 15,189,334	$ 5,327,890	$ 20,517,224

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

Oklahoma Capital Improvement Authority Lease

Series 2004A: In 2004, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 2004 Series A. This bond was a refunding of the 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents allocated $1,542,248 to the College, which was the outstanding balance of the 1999 Series.

Concurrently with the original allocation, the College entered into an individual lease agreement with OCIA, representing the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, of which six years remain as of June 30, 2014. The proceeds of the bonds and subsequent lease were to provide for capital improvements at the College.

Series 2005F: In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately $16,025,000 to the College. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006 through July 1, 2030, will be $27,991,770. Payments will be made annually ranging from $439,337 to $1,210,340, by the state of Oklahoma on behalf of the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds.

The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

Through June 30, 2014 and 2013, the College has drawn down all of its total allotment for expenses incurred in connection with the specific projects.

Series 2010A and B: In August 2010, the College's 2005 Series F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal year 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring.

The College has recorded a charge of $1,486,731 on restructuring as a deferred cost that will be amortized over a period of 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $1,486,731 also approximates the economic cost of the lease restructuring. During the years ending June 30, 2014 and 2013, the College recognized $248,864 of amortization on the deferred cost of lease restructuring on the OCIA Series 2005F lease obligation, leaving a balance of the unamortized deferred costs of $989,003 and $1,237,867. The unamortized deferred cost is included as deferred outflows of resources in the accompanying financial statements.

During the year ended June 30, 2014 and 2013, OCIA made lease principal and interest payments totaling $1,310,030 and $417,822 on behalf of the College for all outstanding OCIA Bond Issues. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position.

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

The scheduled principal and interest payments related to the OCIA Capital Lease obligations at June 30, 2014 are as follows:

Years Ending June 30,	Principal	Interest	Total
2015	$ 1,353,103	$ 700,474	$ 2,053,577
2016	1,394,220	654,548	2,048,768
2017	1,661,968	673,811	2,335,779
2018	1,737,397	598,549	2,335,946
2019	1,818,277	517,519	2,335,796
2020-2024	1,662,421	2,109,500	3,771,921
2025-2029	4,757,431	1,293,438	6,050,869
2030-2031	2,251,108	169,423	2,420,531
	$ 16,635,925	$ 6,717,262	$ 23,353,187

Equipment Capital Lease Obligation

The College has entered into lease agreements for various copiers and computers. These agreements extend through June 30, 2016 with interest rates that range from 2.89% to 6%. At June 30, 2014 and 2013, the total capitalized cost of the equipment was $3,691,418 and accumulated depreciation was $2,067,195 and $1,328,911. Total principal and interest payments in 2014 and 2013 totaled $969,793 and $1,694,560. The remaining obligation at June 30, 2014 and 2013 was $1,269,108 and $2,176,091.

The scheduled principal and interest payments related to the equipment capital leases as of June 30, 2014 are as follows:

Years Ending June 30,	Principal	Interest	Total
2015	$ 936,029	$ 33,764	$ 969,793
2016	333,079	6,495	339,574
	$ 1,269,108	$ 40,259	$ 1,309,367

Line of Credit

The College has a $1,200,000 unsecured line of credit due and payable on demand through June 29, 2015. Interest on the line is 1.69% and 1.73% for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, there was no outstanding balance and there were no draws on the line of credit during the fiscal year.

(Continued)

NOTE 6 - RETIREMENT PLANS

The College's academic and nonacademic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System (the OTRS), which is a state of Oklahoma public employee's retirement system, and a 403(b) annuity plan, which is a privately administered plan. The College does not maintain the accounting records, hold the investments for, or administer these plans. If the previously mentioned plans do not provide a computed minimum benefit amount, the College provides the difference under a Supplemental Retirement Plan, a privately administered plan, for those employees meeting certain eligibility requirements. This plan is no longer open to new employees, but is still available to employees hired before the plan was frozen.

Oklahoma Teachers' Retirement System

Plan Description: The College contributes to the OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the state of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the state of Oklahoma. Title 70 of the Oklahoma statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. The OTRS does not provide for a cost-of-living adjustment. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to the Teacher's Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, or by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy: The authority to define or amend employer contribution rates is given to the Board of Trustees of OTRS by Oklahoma statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma legislature. OTRS members are required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate for 2014 and 2013 was 9.5%, and is applied to annual compensation and is determined by state statute.

Employee's contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2014, 2013, and 2012. The College's contributions to the OTRS for the years ended June 2014, 2013, and 2012 were $10,361,923, $9,905,497, and $9,801,031, respectively, which is equal to the required contributions for each year. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

The state of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2014 and 2013, the state of Oklahoma contributed 5% of state revenues from sales and use taxes, and individual income taxes, to the OTRS on behalf of participating employers. The College has estimated the amounts contributed to the OTRS by the state of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2014, 2013, and 2012, the total amounts contributed to the OTRS by the state of Oklahoma on behalf of the College were $4,548,746, $4,422,087, and $4,430,851. These on-behalf payments have been recorded as both nonoperating state appropriations revenues and operating compensation and employee benefits expenses in the statement of revenues, expenses, and changes in net position.

(Continued)

NOTE 6 - RETIREMENT PLANS (Continued)

403(b) Annuity Plan

All eligible employees of the College can elect to participate in a 403(b) tax-deferred annuity plan (the 403(b) Plan), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the 403(b) Plan. Eligible employees who elect to participate are required to make a minimum contribution to the 403(b) Plan in an amount equal to 1% of total annual compensation, as defined by the 403(b) Plan. The 403(b) Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the 403(b) Plan document and were established and can be amended by action of the College's Board of Regents. The College's contribution rate for the year ended June 30, 2014 and 2013, was 3% of an eligible employee's annual base salary, as defined in the 403(b) Plan document. Contributions made by the College and participants during 2014 and 2013 totaled approximately $971,928 and $919,195.

Supplemental Retirement Plan

Plan Description: The College's Supplemental Retirement Plan (SRP) is a single-employer, defined-benefit pension plan administered by an administrative committee appointed by the College's Board of Regents. The SRP was established by the College's Board of Regents to provide supplemental retirement and death benefits to College employees who meet certain eligibility requirements (i.e., were hired prior to July 1, 1987), or to those eligible employees' beneficiaries. The authority to amend the SRP's benefit provisions rests with the College's Board of Regents. The SRP does not issue a stand-alone financial report nor is it included in the financial report of another entity.

Funding Policy: The authority to establish and amend eligible employees' and employer contribution obligations to the SRP rests with the College's Board of Regents. Eligible employees are not required to make contributions to the SRP. The College is required to contribute to the SRP an actuarially determined amount on an annual basis. The SRP's assets are primarily invested in debt and equity securities, common trust funds, and mutual funds.

Annual Pension Cost and Net Pension Asset:

Annual pension cost and contributions to the SRP for the year ended June 30, 2014 and 2013 were as follows:

	2014	2013
Annual required contributions (ARC)	$ -	$ -
Actual return	165,168	105,750
Adjustment to ARC	(361,516)	(41,715)
Benefit payments and fees	(110,784)	(108,994)
Annual pension cost	$ (307,132)	$ (44,959)
Contributions to the plan	$ 200,000	$ 85,000
Annual pension cost	(307,132)	(44,959)
Change in net pension asset	$ (107,132)	$ 40,051

(Continued)

NOTE 6 - RETIREMENT PLANS (Continued)

Required information the years ended June 30:

	2014	2013	2012
Annual pension cost	$ 307,132	$ 44,959	$ 316,111
Net pension asset	119,159	226,291	1,075,753
Percentage of annual pension cost contributed	65.12%	189.06%	0%

Valuation date	6/30/2014
Actuarial value of assets	$ 1,483,357
Actuarial accrued liability	(1,364,198)
Covered payroll	19,818,072
Unfunded actuarial accrued liability as a percentage of covered payroll	(0.60)%
Funded ratio	108.73%

The annual required contribution was determined as part of an actuarial valuation on June 30, 2014, using the projected unit credit actuarial cost method. The value of the SRP assets is based on each investment's fair value. The actuarial assumptions used include (a) a social security wage base increase of 3% annually plus a cost-of-living adjustment of 2.5% annually; (b) normal retirement at age 65 with at least 10 years of service; (c) an 8% rate of return on investments; and (d) project salary increases of 3.5% per year. The unfunded actuarial accrued liability is being amortized over 15 years at a level dollar amount on a closed basis.

The required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Foundation has an agreement with the College whereby the Foundation has agreed to forego its rights to independently acquire office space, hire support personnel, and otherwise provide for independent support services for its activities, so those monies may instead be used for scholarships or other forms of support for the College. In addition, the financial records of the Foundation are administered by individuals who are employees of the College. In consideration of the College providing the staff and clerical support and other services to be performed by the College pursuant to this agreement, the Foundation has agreed to pay the College $28,000 per year plus a portion of certain College employees' salaries and benefits. During the years ending June 30, 2014 and 2013, the Foundation paid the College $159,771 and $106,925 as a result of this agreement. During the years ending June 30, 2014 and 2013, the Foundation also awarded scholarships totaling $87,007 and $135,779 to students of the College, provided $1,304,188 and $0 of capital projects support, and contributed $1,017,450 and $823,553 for other college support activities.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The College conducts certain programs pursuant to various grants and contracts that are subject to financial and compliance audits by the grantors, their representatives, or federal and state agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies can be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

(Continued)

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2014 that management believes would result in a material loss to the College in the event of an adverse outcome. The College is a defendant in various lawsuits, and is vigorously defending those lawsuits. Although the outcome of these lawsuits is not presently determinable, the College's management believes the resolution of these matters will not have a material impact on the financial statements of the College.

NOTE 9 - RISK MANAGEMENT

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. The College pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, property loss, and general liability insurance coverage. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. The College, as a state agency, participates in the Oklahoma State and Education Employee's Group Insurance Board (the Plan), a public entity risk pool. The College pays an annual premium to the Plan through member premiums. The College carries insurance with the State Insurance Fund for other risks of loss including workers' compensation and employee accident and health insurance. The College has purchased commercial medical malpractice insurance, which covers substantially all faculty and students participating in the College's medical services curriculum. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.

NOTE 10 - AD VALOREM PROPERTY TAXES

The voters of Tulsa County have approved a local tax levy (in addition to all other school tax levies) on the assessed valuation of all taxable property within the School District. This tax levy, which is for the general operations of the College through the School District, is a permanent levy until such time as it is repealed by a majority of the voters of Tulsa County. Ad valorem property tax revenue for general operations for the years ended June 30, 2014 and 2013 totaled $36,332,835 and $35,929,841.

NOTE 11 - SECTION 13 OFFSET PROGRAM

The State Regents allocates funds to institutions who are not beneficiaries of the "Section 13" and "New College Trust Funds" under the Section 13 Offset Program. These funds are to be used by an institution for projects which are on the approved campus master plan.

The College has been allotted funds under this program to use for capital repairs or expansions. The College was allotted and expended $1,249,002 under this program for the years ended June 30, 2014 and 2013.

NOTE 12 - DEPOSITS WITH OKLAHOMA STATE REGENTS

In connection with the State Regents' Endowment Program (the Endowment Program), the state of Oklahoma has matched contributions received under the Endowment Program. The state match amounts, plus any retained accumulated earnings, totaled approximately $4,543,581 at June 30, 2014 and 2013 and is invested by the State Regents on behalf of the College. The College is entitled to receive an annual distribution of 5% of the market value at year end on these funds. As legal title of the State Regents matching endowment funds is retained by the State Regents, the funds are available for distribution.

(Continued)

NOTE 13 – CONDENSED COMBINING INFORMATION

GASB Statement No. 61 requires that combining information be presented for business-type activities that included a blended component unit within a single column on the basic financial statements. The following summarizes the combining information for the statements of net position as of June 30, 2014 and 2013:

	2014				2013			
	College	School District	Eliminations	Combined	College	School District	Eliminations	Combined
Current assets	$ 29,921,818	$ 25,475,095	$ -	$ 55,396,913	$ 29,864,158	$ 27,968,917	$ -	$ 57,833,075
Capital assets	103,979,378	-	-	103,979,378	107,650,424	-	-	107,650,424
Other assets	6,499,950	373,902	-	6,873,852	6,707,326	373,351	-	7,080,677
Total assets	140,401,146	25,848,997	-	166,250,143	144,221,908	28,342,268	-	172,564,176
Deferred outflows of resources	1,081,832	-	-	1,081,832	1,362,942	-	-	1,362,942
Total assets and deferred outflows of resources	141,482,978	25,848,997	-	167,331,975	145,584,850	28,342,268	-	173,927,118
Current liabilities	16,718,446	-	-	16,718,446	15,508,552	-	-	15,508,552
Long term liabilities	37,712,734	-	-	37,712,734	39,164,917	-	-	39,164,917
Total liabilities	54,431,180	-	-	54,431,180	54,673,469	-	-	54,673,469
Net investment in capital assets	62,736,927	-	-	62,736,927	66,012,925	-	-	66,012,925
Restricted:								
Expendable	4,773,579	373,902	-	5,147,481	6,026,045	373,351	-	6,399,396
Non-expendable	4,543,581	-	-	4,543,581	4,543,581	-	-	4,543,581
Unrestricted	14,997,711	25,475,095	-	40,472,806	14,328,830	27,968,917	-	42,297,747
Total net position	87,051,798	25,848,997	-	112,900,795	90,911,381	28,342,268	-	119,253,649
Total liabilities and net position	$ 141,482,978	$ 25,848,997	$ -	$ 167,331,975	$ 145,584,850	$ 28,342,268	$ -	$ 173,927,118

The following summarizes the combining information for the statements of revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2013:

	2014				2013			
	College	School District	Eliminations	Combined	College	School District	Eliminations	Combined
Operating revenues:								
Tuition and fees, net	$ 24,099,949	$ -	$ -	$ 24,099,949	$ 28,537,890	$ -	$ -	$ 28,537,890
Grants and contracts and other operating revenue	17,847,524	-	-	17,847,524	18,508,565	-	-	18,508,565
Sales and services of auxilliary enterprises	13,462,112	-	-	13,462,112	15,013,107	-	-	15,013,107
Total operating revenue	55,409,585	-	-	55,409,585	62,059,562	-	-	62,059,562
Operating expenses:								
Depreciation	10,049,286	-	-	10,049,286	7,861,598	-	-	7,861,598
Other operating expenses	156,054,905	-		156,054,905	153,999,749	-		153,999,749
Total operating expenses	166,104,191	-	-	166,104,191	161,861,347	-	-	161,861,347
Operating loss	(110,694,606)	-	-	(110,694,606)	(99,801,785)	-	-	(99,801,785)
Non-operating revenues (expenses)								
State appropriations	36,946,609	-	-	36,946,609	36,116,944	-	-	36,116,944
Ad valorem property taxes	-	36,332,835	-	36,332,835	-	35,929,841	-	35,929,841
Federal and state grants	25,860,725	-	-	25,860,725	29,235,079	-	-	29,235,079
Other non-operating revenues (expenses)	41,468,657	(38,826,106)	-	2,642,551	37,590,770	(34,398,097)	-	3,192,673
Total non-operating revenues (expenses)	104,275,991	(2,493,271)	-	101,782,720	102,942,793	1,531,744	-	104,474,537
Income (loss) before other appropriations	(6,418,615)	(2,493,271)	-	(8,911,886)	3,141,008	1,531,744	-	4,672,752
Appropriations	2,559,032	-	-	2,559,032	1,666,824	-	-	1,666,824
Change in net position	(3,859,583)	(2,493,271)	-	(6,352,854)	4,807,832	1,531,744	-	6,339,576
Beginning net position	90,911,381	28,342,268	-	119,253,649	86,103,549	26,810,524	-	112,914,073
Ending net position	$ 87,051,798	$ 25,848,997	$ -	$ 112,900,795	$ 90,911,381	$ 28,342,268	$ -	$ 119,253,649

(Continued)

NOTE 13 – CONDENSED COMBINING INFORMATION (Continued)

The following summarizes the combining information for the statements of cash flows for the years ended June 30, 2014 and 2013:

	2014				2013			
	College	School District	Eliminations	Combined	College	School District	Eliminations	Combined
Cash flows from operating activities	$ (99,747,893)	$ -	$ -	$ (99,747,893)	$ (87,795,692)	$ -	$ -	$ (87,795,692)
Cash flows from noncapital financing activities	101,675,756	(2,535,287)	-	99,140,469	99,824,983	1,473,097	-	101,298,080
Cash flows from capital and related financing activities	(6,901,639)	-	-	(6,901,639)	(7,654,789)	-	-	(7,654,789)
Cash flows from investing activities	289,480	42,016	-	331,496	424,075	58,647	-	482,722
Net change in cash and cash equivalents	(4,684,296)	(2,493,271)	-	(7,177,567)	4,798,577	1,531,744	-	6,330,321
Cash and cash equivalents at beginning of year	18,148,728	27,442,268	-	45,590,996	13,350,151	25,910,524	-	39,260,675
Cash and cash equivalents at end of year	$ 13,464,432	$ 24,948,997	$ -	$ 38,413,429	$ 18,148,728	$ 27,442,268	$ -	$ 45,590,996

REQUIRED SUPPLEMENTARY INFORMATION

TULSA COMMUNITY COLLEGE
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS
Years ended June 30, 2014 and 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
June 30, 2014	$ 1,483,357	$ 1,364,198	$ (119,159)	108.73%	$ 19,818,072	(0.60)%
June 30, 2013	$ 1,228,974	$ 1,002,683	$ (226,291)	122.57%	$ 21,588,268	(1.05)%
June 30, 2012	$ 982,217	$ 978,402	$ (3,815)	100.39%	$ 22,265,584	(0.02)%

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tulsa Community College (College) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (Finding 2014-001)

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

College's Response to Findings

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
October 29, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Tulsa Community College's (College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, and 2014-004. Our opinion on each major federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, and 2014-004, that we consider to be significant deficiencies.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
October 29, 2014

TULSA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Pass Through Number	Total Federal Expenditures
U.S. Department of Commerce			
Passed through Oklahoma Alliance for Manufacturing Excellence, Inc.			
Manufacturing Extension Partnership	11.611	NIST-MEP	$ 21,000
Total U.S. Department of Commerce			21,000
U.S. Department of Labor			
Trade Adjustment Assistance (TAA) Cluster			
Trade Adjustment Assistance (TAA) - Advanced Manufacturing	17.245	n/a	388,807
Passed through Oklahoma Employment Security Commission			
Trade Adjustment Assistance (TAA)	17.245	170-030	442,401
Total Trade Adjustment Assistance (TAA) Cluster			831,208
Worker Investment Act (WIA) cluster			
Passed through Oklahoma Department of Commerce			
Workforce Investment Act – Adult Program	17.258	15364, 15543, 15760	804,991
Workforce Investment Act – Youth Activities	17.259	15060, 15530, 15926	1,313,455
Workforce Investment Act – Dislocated Workers Program	17.278	15157, 15354, 15815 15816, 15552, 15769	879,854
Total Worker Investment Act (WIA) cluster			2,998,300
Passed through Oklahoma State University Institute of Technology			
H-1B Job Training Grant	17.268	15050-HTST 11	58,375
Passed through Oklahoma City Community College			
TAA Community College and Career Training (TAACCCT)	17.282	TC-22540-11-60-A-40	55,914
Passed through Wichita Area Technical College			
TAACCCT - National Aviation Consortium	17.282	TC-23794-12-60-A-20	384,019
Total TAACCCT			439,933
Total U.S. Department of Labor			4,327,816
National Science Foundation			
Mathematical and Physical Sciences	47.049	n/a	20,665
Education and Human Resources	47.076	n/a	46,006
Total National Science Foundation			66,671
U.S. Department of Education			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007	n/a	369,775
Federal Work Study	84.033	n/a	406,196
Federal Pell Grant	84.063	n/a	25,875,897
Federal Direct Student Loan Program	84.268	n/a	31,626,115
Total Student Financial Aid cluster			58,277,983
TRIO Cluster			
Student Support Services	84.042A	n/a	269,157
Upward Bound	84.047A	n/a	181,247
Educational Opportunity Centers	84.066A	n/a	233,931
Total TRIO cluster			684,335
Passed through Oklahoma Department of Career and Technology Education			
Career and Technical Education (Carl Perkins)	84.048	CP-PS-1074	328,859
Total U.S. Department of Education			59,291,177
U.S. Department of Health and Human Services			
Passed through Community Action Project of Tulsa County			
ACA Health Profession Opportunity Grant (HPOG)	93.093	00-TUL COM	508,966
Passed through Oklahoma State University – Center for Health Services			
Area Health Education Centers Awards	93.107	U77HP03025-18	42,492
Passed through Rural Health Projects, Inc.			
Research on Healthcare Costs, Quality and Outcomes	93.226	C3078101	19,411
Rural Health Care Services Outreach	93.912	3R44G	28,435
Passed through Oklahoma State Regents for Higher Education			
Refugee and Entrant Assistance Discretionary Grant	93.576	n/a	143,218
Passed through Pitt Community College			
Health Information Technology Professionals in Health Care – ARRA	93.721	90CC0078/02 - 05	15,772
Passed through Oklahoma University Health Sciences Center		RS20131215-19	
Biomedical Research and Research Training	93.859	RS20131225-01	67,826
PPHF Geriatric Education Centers	93.969	TS20102005-30	10,042
Total U.S. Department of Health and Human Services			836,162
Total Expenditures of Federal Awards			$ 64,542,826

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance activity of Tulsa Community College (College) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The College reporting entity is defined in Note 1 of the College's financial statements.

NOTE 2 - FEDERAL LOANS DISBURSED

The College also participates in the Federal Direct Student Loans Program, including Federal Stafford Loans (Stafford) and Federal PLUS Loans (PLUS). The dollar amounts are listed in the schedule of federal awards although the College is not the recipient of the funds. Such programs are considered a component of the student financial assistance cluster. Loans processed by the College under this Loan Program were the following for the year ended June 30, 2014:

	2014
Federal Direct Student Loans Program	
Stafford	
Subsidized	$ 15,586,848
Unsubsidized	15,960,081
PLUS	79,186
	$ 31,626,115

NOTE 3 - SUBRECIPIENTS

During the year ended June 30, 2014, the College provided $2,840,461 in expenditures to subrecipients as follows:

Program Title	CFDA Number	Amount
Workforce Investment Act – Adult Program	17.258	$ 756,341
Workforce Investment Act – Youth Activities	17.259	1,259,301
Workforce Investment Act – Dislocated Workers Program	17.278	824,819
		$ 2,840,461

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	X Yes	____ None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	X Yes	____ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	X Yes	____ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	WIA Cluster:
17.258	WIA Adult Program
17.259	WIA Youth Program
17.278	WIA DLW Program
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loan Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? ___ Yes X No

SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS.

FINDING 2014-001 – PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Criteria: OMB Circular A-133 requires that proper internal controls are in place over the Schedule of Expenditures of Federal Awards (SEFA). This includes appropriate segregation of duties exists relative to the preparation and review of the SEFA. The SEFA should reconcile to the general ledger balances and any reconciling items should be identified by management. In addition, required nonfinancial information should be included and documented.

Condition: In our testing of the SEFA, we noted that several of the pass-through grantors and Catalog of Financial Domestic Assistance (CFDA) numbers were not correctly identified.

Cause: The condition appears to be a result of a lack of review of the SEFA.

Effect: If incorrect data, such as the CFDA number, is present in the SEFA, there is an increased risk of management not complying with the appropriate grant compliance attributes.

Recommendation: We recommend management review each grant on the SEFA and ensure that all information is accurate and complete.

Management's Response: Management agrees with the finding and recommendation.

Corrective Action: Management intends to develop a review process that ensures the information listed on the SEFA is accurate and complete. The implementation of this corrective action will be monitored by the College's Director of Grants Compliance and Accounting. The anticipated completion date for resolving this finding is June 30, 2015.

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB A-133 SECTION 510 (a).

FINDING 2014-002 - TIMELY RETURN OF TITLE IV FUNDS

Federal program Information: Student Financial Aid Cluster (CFDA Numbers 84.007, 84.033, 84.063, 84.268) – U.S. Department of Education

Criteria: 34 CFR 668.173(b) - Timely Return of Title IV fund - Institutions must always return any unearned Title IV funds it is responsible for returning within 45 days of the date the school determined the student withdrew.

Condition: During our testing of the return of fund, we noted one student in our sample of 60 students for which the return of aid was not performed within 45 days of the school's determination that the student withdrew.

Cause: The Financial Aid employee properly notified the Loan Processing Department that a return of aid was needed, however, the funds were not returned until 91 days after the date of determination.

Effect: The College may not be in compliance with federal regulations.

Questioned Cost: None

Recommendation: We recommend management review internal controls surrounding the return of funds calculations to ensure aid is returned in a timely manner.

Management's Response: Management agrees with the finding and recommendation.

Corrective Action: The Financial Aid Office will establish a secondary review of returned funds as a result of an R2T4 calculation. The Assistant Director of Operations and Compliance will review completed R2T4 calculations on a monthly basis to ensure staff is properly returning funds to the appropriate program. The implementation of this corrective action will be monitored by the College's Director of Financial Aid. The anticipated completion date for resolving this finding is June 30, 2015.

FINDING 2014-003 - NOTICE OF DISBURSEMENT

Federal program Information:	Student Financial Aid Cluster (CFDA Numbers 84.007, 84.033, 84.063, 84.268) – U.S. Department of Education
Criteria:	34 CFR 668.165 – Notice of Disbursement - Institutions are required to notify students when loan funds have been credited to their student billing account.
Condition:	For four students in our sample of 25 students, we noted there was no notification sent to the student notifying the student that direct loans were disbursed to their student billing account
Cause:	The system responsible for generating the automated email notification experienced a system failure on the day notifications were to be sent out. Action was not taken to ensure proper notifications were sent.
Effect:	The College may not be in compliance with federal regulations.
Questioned Cost:	None
Recommendation:	We recommend management review the controls in place to ensure applicable scripts are active within the financial aid system to maintain compliance with federal regulations.
Management's Response:	Management agrees with the finding and recommendation.
Corrective Action:	The Financial Aid Office will establish a secondary review of automated process flows. The ERP Module Manager will ensure staff have properly enabled all appropriate Banner features are at the beginning of each payment period. The implementation of this corrective action will be monitored by the College's Director of Financial Aid. The anticipated completion date for resolving this finding is June 30, 2015.

FINDING 2014-004 - WORKFORCE INVESTMENT ACT PROGRAM COMPLIANCE

Federal program Information: Workforce Investment Act Cluster (CFDA Numbers 17.258, 17.259, 17.278) – U.S. Department of Labor

Criteria: Management is responsible for administering the Workforce Investment Act (WIA) Program in accordance with federal compliance requirements, and for developing internal controls that will prevent instances of noncompliance.

Condition: During our testing of the WIA Program, we noted multiple instances of noncompliance with federal requirements and multiple control deficiencies that when viewed in aggregate rise to the level of a significant deficiency in internal controls over compliance. The summary of these deficiencies is presented below.

1. Agreements in place with the granting agency, the Tulsa Area Workforce Investment Board (TAWIB) and the service provider do not clearly define allowable costs TCC may claim for the fiscal agent fee. The U.S. Department of Labor performed a review of the WIA program in June 2014 noting $6,699 of inappropriately allocated costs for professional development costs of staff not directly charged to WIA. This amount was returned during the year.

2. The federally approved indirect cost rate was applied inappropriately and inconsistently during fiscal year 2014; however, this did not result in any questioned costs as management reduced the indirect cost rate later in the year.

3. There is no documented review of monthly expenditure reports submitted to the granting agency.

4. TCC does not maintain documentation of TAWIB's monitoring of the service provider to ensure federal eligibility and earmarking requirements are being met.

5. During the service provider procurement process, there is no check of the Excluded Parties Listing System to ensure potential service providers are not federally debarred or suspended.

6. Failure to identify TAWIB and the service provider as a subrecipient. Agreements between TCC, TAWIB, and the service provider do not include federal funding information including the CFDA number, grant pass through number, federal agency, pass through agency, and federal earmarking requirements.

Cause: The College acts as a fiscal agent for the WIA program and relies on TAWIB and the service provider to meet federal compliance requirements. The College does not adequately monitor or maintain documentation to support federal compliance with the WIA program.

Effect: The College may not be in compliance with federal regulations.

Questioned Cost: None

Recommendation: We recommend management review the controls in place to ensure federal compliance requirements are properly monitored and documented.

Management's Response: Management agrees with the finding and recommendation.

Corrective Action: Management intends to work with ODOC and TAWIB to establish better defined agreements between each organization and TCC; documenting the appropriate federal funding information. Management also intends to address other concerns mentioned through process and control improvement. The implementation of this corrective action will be monitored by the College's Director of Grants Compliance and Accounting. The anticipated completion date for resolving this finding is June 30, 2015.

SECTION 4 - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINDING 2013-001 – CONTROLS OVER FINANCIAL REPORTING

Condition: During the prior year audit, adjustments were posted that changed the financial statement results of the College by a material amount.

Corrective Action: Management has already implemented additional steps in the monthly reconciliation and review process that will allow for the general ledger to reflect a complete and accurate representation of financial results under GAAP. Management also has formulated plans to address the year-end reconciliation and review processes.

Status: Resolved.

FINDING 2013-002 – JOURNAL ENTRY CONTROLS

Condition: There is no formal review of journal entries performed by management.

Corrective Action: Management intends to review best practices for journal entries reviews and implementing a practice that reflects it operational structure.

Status: Resolved.

FINDING 2013-003 – PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition: In our testing of the SEFA, we noted that several of the pass-through grantors and Catalog of Financial Domestic Assistance (CFDA) numbers were not correctly identified.

Corrective Action: Management intends to incorporate the Comptroller and CFO quarterly review of SEFA reports as part of his annual responsibilities. This review is intended to insure all information is being reported to the federal government correctly.

Status: Unresolved. See Finding 2014-001.

FINDING 2013-004 – TIMELY RETURN OF TITLE IV FUNDS

Condition: During our testing of the return of fund, we noted one student in our sample of 60 students for which the return of aid was not performed within 45 days of the school’s determination that the student withdrew.

Corrective Action: The Financial Aid Office will establish a secondary review of returned funds as a result of an R2T4 calculation. The Assistant Director of Operations and Compliance will review completed R2T4 calculations on a monthly basis to ensure staff is properly returning funds to the appropriate program.

Status: Unresolved. See Finding 2014-002.

SECTION 4 - PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)

FINDING 2013-005 – NOTICE OF DISBURSEMENT

Condition: For six students in our sample of 25 students, we noted there was no notification sent to the student notifying the student that direct loans were disbursed to their student billing account

Corrective Action: The Financial Aid Office will establish a secondary review of automated process flows. The ERP Module Manager will ensure staff have properly enabled all appropriate Banner features are at the beginning of each payment period.

Status: Unresolved. See Finding 2014-003.